

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Price Cap Performance Review) CC Docket No. 94-1
for Local Exchange Carriers;)
Treatment of Video Dialtone Services)
Under Price Cap Regulation) DOCKET FILE COPY ORIGINAL

COMMENTS

U S WEST Communications, Inc. ("U S WEST"), through counsel and pursuant to the Federal Communications Commission's ("Commission") Second Report and Order and Third Further Notice of Proposed Rulemaking,¹ hereby submits its comments on the treatment of video dialtone (or "VDT") under price cap regulation.

In its NPRM, the Commission asks for comments on two main issues:

- 1) What threshold level should be used to determine when a local exchange carrier (or "LEC") is required to segregate VDT costs and revenues for price cap purposes?²
- and 2) What factor/method should be used in Part 69 to allocate VDT costs to the VDT price cap basket for sharing/low-end adjustment purposes?³

¹ In the Matter of Price Cap Performance Review for Local Exchange Carriers; Treatment of Video Dialtone Services Under Price Cap Regulation, CC Docket No. 94-1, Second Report and Order and Third Further Notice of Proposed Rulemaking, FCC 95-394, rel. Sep. 21, 1995 ("NPRM").

² Id. ¶¶ 39, 40.

³ Id. ¶ 41.

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Using a threshold level which is based on rate of return calculations makes little sense from U S WEST's perspective. Under such an approach a LEC could be required to segregate VDT revenues/costs in a given year -- but not the next year -- even though VDT revenues/costs may have risen. Furthermore, factors other than VDT, such as changes in switched access revenues/costs, would have an influence on whether a LEC would have to segregate VDT revenues/costs for price cap purposes. A much more straight-forward approach is to establish a threshold level based on VDT revenues or costs. For example, the Commission could require all LECs with interstate VDT revenues in excess of 2% of their overall interstate revenues -- as calculated using the 1995 base year -- to establish a separate VDT basket for sharing and low-end adjustment purposes under price cap regulation. This would establish a specific threshold and would avoid many of the concerns associated with using a "derived" measure such as the impact on a carrier's rate of return. It would also be a step in the direction of severing the link between price cap regulation and rate of return regulation.

As to the Commission's second issue -- what factor/method should be used in Part 69 to allocate VDT costs to the VDT price cap basket -- the VDT reporting requirements that the Commission recently adopted appear to provide all the necessary information for price cap purposes.⁴ U S WEST does not believe that any

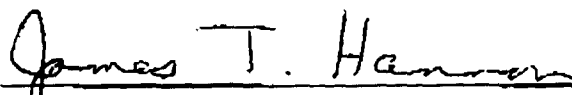
⁴ See In the Matter of Reporting Requirements on Video Dialtone Costs and Jurisdictional Separations for Local Exchange Carriers Offering Video Dialtone Services, AAD No. 95-59, Memorandum Opinion and Order, DA 95-2026, rel. Sep. 29, 1995, Appendix B, FCC Report 43-09A, ARMIS Video Dialtone Quarterly Report ("ARMIS 43-09A Report").

additional Part 69 allocations are necessary to establish a VDT basket under price cap regulation.

The preceding statement in no way implies that the video dialtone cost allocation issues associated with joint and common investments have been resolved. They have not -- but the issues are not price cap issues. They are Part 32 and Part 36 issues.⁵ As such, it does not appear that any price cap rule changes are necessary other than to establish a threshold level and to specify that the ARMIS 43-09A Report is the appropriate source of information for price cap purposes.

Respectfully submitted,

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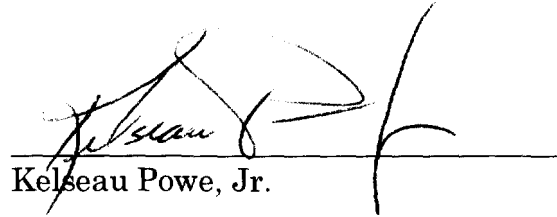
Of Counsel,
Dan L. Poole

October 27, 1995

⁵ Similarly, while differences in VDT technology may be quite important in allocating common plant for Parts 32 and 36 purposes, technological differences do not raise Part 69 issues.

CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify that on this 27th day of October, 1995,
I have caused a copy of the foregoing **COMMENTS** to be served via hand-delivery,
upon the persons listed on the attached service list.



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